



SALES TAX FORECASTING FOR WISCONSIN COUNTIES: PROBLEMS AND POTENTIAL YIELD (2008 UPDATE)¹

At this writing, 60 of Wisconsin's 72 county governments will levy a sales tax in 2007. (See Table 1 and map.) Rock County began collecting the sales tax in April of this year. Any county may impose the sales tax, at a uniform .5% rate, merely by adopting a sales tax ordinance and delivering a certified copy to the state Department of Revenue at least 120 days prior to its effective date. The tax becomes effective on the first day of January, April, July or October. The tax can be repealed by delivery of a certified copy of a repeal ordinance to the Department of Revenue at least 60 days before the effective date of repeal, which for all counties is December 31.

Administration

The county tax is "piggybacked" on the state's own 5.0% sales tax and returned to the county where the sales took place or, in some cases, where the sale item is kept or used (technically known as a "use" tax). Retailers collect and send the tax to the state, keep track of where sales occur, and keep 0.5% to help defray their administrative costs. The state processes returns, enforces compliance, distributes monthly checks, and retains 1.75% of the tax to defray its costs. County governments, therefore, eventually receive 97.75% of the .5% tax collected for them. Generally, it takes about three months to process collections and issue a check to the county or its depository. Therefore, a county should expect to receive no more than three-quarters of its total annual yield during the first year the tax is levied – or less, depending on the month the tax becomes effective.

Purpose

State law allows counties to impose the sales tax "only for the purpose of directly reducing the property tax levy...." Apparently, most counties have interpreted this provision to mean that the property tax levy, with a sales tax, may be either lower than it was last year, or lower than it would have been in the current year without the sales tax. A county also is allowed to "retain the amount it receives or it may distribute all or a portion of the amount it receives to the towns, villages, cities and school districts in the county." So far as we know, this provision never has been implemented.

In practice, virtually all counties' sales tax receipts have been treated as just one more source of general revenue, used to offset expenditures and help balance the counties' annual budgets. Therefore, counties normally try to forecast their sales tax yield for next year's budget, just as they anticipate the amounts other revenues will produce in the coming year. Unlike the property tax, however, which yields whatever amount (minus delinquencies) the county board decides to levy², the sales tax yield is very difficult to predict, especially for counties which have never received the tax.

Forecasting

The county sales tax is piggybacked on the state tax, but there is no record of state sales tax collections by county in which the transaction takes place. Furthermore, retail sales tax surveys are outdated and there is no reliable survey of taxable retail sales by county. Many retail sales items and services are exempt. Sales tax forecast-

¹By Kate Lawton of the UW–Extension Local Government Center, based on an article originally written by Professor Richard Stauber. Data and assistance was provided by the Legislative Fiscal Bureau and staff from the Department of Revenue in the Division of Research and Policy.

²Counties are subject to a property tax levy rate limit equal to their 1992 tax levy rate or .001, whichever is greater. State law allows increases in the rate limit under certain circumstances. The penalty for increasing property tax levy rates outside of statutory procedures or allowable circumstances is a comparable reduction in state aids. For 2005 and 2006, county levies were also limited to the percentage growth increase in net new construction or 2%, whichever is greater. The Governor's proposed budget makes some changes to the levy limit, including an increase from 2% to 4%. However it is unclear at this point what provisions the legislature will send back to the Governor.

ing is risky even for a county that has received the tax for a full year or more. This yield is based on the future condition of the economy and on future consumer attitudes and behavior. In addition, even if we could predict exactly how much the yield will change next year for the state as a whole, receipts do not change at a uniform annual rate for all counties, and rates of change for some individual counties also have differed significantly from one year to the next.

Finally, there are two cash flow or accounting features which complicate the forecast. First, depending on their gross receipts, retailers may report their sales tax collections either on a monthly, quarterly, or annual basis. Second, the state's budget and its sales tax collections are on a fiscal year basis – July through June – while the counties' budgets and sales tax receipts are on a calendar year basis – January through December.

2007 and 2008 Estimated Tax Yields

County officials, therefore, should use the potential 2007 and 2008 sales tax yield amounts shown in the tables with great caution. They are not projections or predictions, but only starting points which local officials should modify according to their own knowledge of their county's economy and its changing local conditions. For example, if a large retailer in a county has a substantial portion of mail order sales, only the sales to residents of that county are subject to the county's sales tax. With mail order sales, the county where the customer is located imposes the tax and not the county where the retailer is located. For example, if I purchase clothing by catalog from Land's End, a retailer located in Iowa County, Wisconsin, then I as a Madison resident will pay the Dane County sales tax. The same holds true for large items, such as cars and other registered vehicles, that are purchased in one county and delivered or registered in another county. County officials need to consider these kinds of special circumstances when preparing their revenue estimates.

To estimate the 2007 tax yields for counties with some sales tax history, as shown in Table 1, I added county sales tax distributions through May of 2007 to the 2006 modified June

through December distributions. To estimate the 2008 tax yields, for counties with some sales tax history, I averaged the state's sales tax growth estimates for the 2007–2008 fiscal year (2.5%) and 2008-2009 fiscal year (3.8%), modified it, and merely added the result – a uniform and more conservative 1.5% – to the estimated 2007 receipts. Keep in mind that these are state projections and that all counties do not grow at a uniform rate, and some actually may experience a decline in receipts.

Table 2 lists the estimated sales tax yield for counties that currently do not have the county sales tax. The 2008 yield potential is based on each county's percentage of total retail sales in the state according to 2005 sales. The percentage of county sales is used to allocate the estimated \$428 million that would be collected in 2008 if all 72 counties levied the sales tax.

TABLE 1
ESTIMATED SALES TAX YIELD POTENTIAL FOR 2007 AND 2008

County	2007⁽¹⁾	2008	County	2007	2008
Adams	1,111,439	1,128,111	Marathon	10,721,766	10,882,593
Ashland	1,172,430	1,190,016	Marinette	2,767,047	2,808,553
Barron	3,459,866	3,511,764	Marquette	675,726	685,862
Bayfield	906,688	920,288	Milwaukee	64,459,417	65,426,308
Buffalo	603,096	612,142	Monroe	2,579,336	2,618,026
Burnett	839,305	851,895	Oconto	1,464,385	1,486,351
Chippewa	3,595,978	3,649,918	Oneida	3,690,088	3,745,439
Columbia	3,433,681	3,485,186	Ozaukee	6,106,194	6,197,787
Crawford	1,343,568	1,363,722	Pepin	370,879	376,442
Dane	43,254,495	43,903,312	Pierce	1,523,107	1,545,953
Dodge	4,792,427	4,864,313	Polk	2,328,195	2,363,118
Door	3,012,735	3,057,926	Portage	4,943,411	5,017,563
Douglas	3,248,733	3,297,464	Price	769,972	781,522
Dunn	2,315,612	2,350,346	Richland	918,396	932,172
Eau Claire	8,093,534	8,214,937	Rock ²	6,715,071	11,415,620
Florence	144,851	147,023	Rusk	788,078	799,899
Forest	416,674	422,924	St. Croix	5,303,371	5,382,921
Grant	2,329,657	2,364,602	Sauk	6,937,415	7,041,477
Green	1,967,533	1,997,046	Sawyer	1,549,071	1,572,307
Green Lake	1,074,300	1,090,414	Shawano	2,062,906	2,093,850
Iowa	1,462,007	1,483,937	Taylor	937,413	951,475
Iron	431,124	437,591	Trempealeau	1,442,944	1,464,588
Jackson	1,086,428	1,102,725	Vernon	1,238,793	1,257,374
Jefferson	4,960,139	5,034,541	Vilas	1,953,849	1,983,157
Juneau	1,304,221	1,323,784	Walworth	7,607,413	7,721,524
Kenosha	10,083,547	10,234,800	Washburn	1,162,986	1,180,431
La Crosse	9,635,470	9,780,002	Washington	9,013,168	9,148,366
Lafayette	626,031	635,421	Waupaca	2,814,467	2,856,684
Langlade	1,352,184	1,372,467	Waushara	1,039,432	1,055,023
Lincoln	1,502,420	1,524,957	Wood	4,520,826	4,588,638
			TOTAL	\$277,965,297	\$286,734,600

¹Estimates assume the county sales taxes that will be collected from June to December of 2007 will be the same as that received during the June-December period in 2006.

²Rock County adopted the county sales tax effective April 1, 2007. The 2007 estimate assumes one-half of an estimated annual collection of \$13,430,000. The 2008 estimate assumes an 85% collection of this same amount.

TABLE 2
ESTIMATED 2008 COUNTY SALES TAX YIELD POTENTIAL
(For Counties Without a Sales Tax)¹

County	Est. 2008 Yield	County	Est. 2008 Yield
Brown ²	\$20,727,495	Outagamie	\$18,693,244
Calumet	2,461,670	Racine	13,550,998
Clark	1,673,474	Sheboygan	8,510,185
Fond du Lac	7,836,927	Waukesha	37,505,437
Kewaunee	926,171	Winnebago	10,601,176
Manitowoc	4,441,556		
Menominee	46,024		
		TOTAL	\$126,974,358

¹These counties do not have a sales tax in effect in 2007 nor are there any pending referenda in these counties for a county sales tax. Their 2008 yield potential is based on each county's percentage of total retail sales according to the 2007 *Rand McNally Commercial Atlas and Marketing Guide*, assuming that 72 counties would collect \$428 million if all levied the tax in 2008.

²The Brown County estimate increases FY 2007 stadium collections by 1.5%.